

RECENT PRICE	14.04	P/E RATIO	7.8 (Trailing: 6.8 Median: 8.0)	RELATIVE P/E RATIO	0.51	DIV'D YLD	12.5%	VALUE LINE
--------------	--------------	-----------	---	--------------------	-------------	-----------	--------------	-------------------

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	20	(+40%)	18%
Low	14	(Nil)	11%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	1	0	0	0	0	0	0	0	0
Options	1	2	4	4	0	0	2	3	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2012	2Q2012	3Q2012
to Buy	322	280	261
to Sell	256	263	253
Hld's(000)	401361	387539	396620

Percent shares traded

% TOT. RETURN 12/12

	THIS STOCK	VL ARITH. INDEX
1 yr.	-0.1	17.4
3 yr.	22.7	40.1
5 yr.	55.5	40.9

CAPITAL STRUCTURE as of 9/30/12	425.2	378.3	550.1	687.4	1248.2	2396.7	3155.7	2988.7	2953.8	3924.2	3625	3350	Gross Income (\$mill)	4325
Borrowings \$101.0 bill.	45.1%	48.1%	49.1%	82.7%	84.5%	80.4%	59.9%	43.4%	39.4%	34.7%	33.0%	34.5%	Int Cost to Gross Inc	35.5%
(86% of Debt + Equity)	219.5	180.1	248.6	73.9	141.8	394.4	1135.6	1526.4	1586.1	2266.2	2090	1865	Net Profit (\$mill)	2475
Leases, Uncapitalized Annual rentals \$3.0 mill.	51.6%	47.6%	45.2%	10.7%	11.4%	16.5%	36.0%	51.1%	53.7%	57.8%	57.7%	55.7%	Net Profit Margin	57.2%
No Defined Benefit Pension Plan	11659	12990	19560	16063	30716	53904	57598	69376	83027	109630	145000	152000	Total Assets (\$mill)	175000
	10163	11774	16708	14509	27514	47724	48737	58682	70109	88414	127875	134265	Borrowings (\$mill)	154640
Pfd Stock \$913.1 mill.	1080.1	1149.2	1700.5	1504.0	2654.5	5316.4	7279.3	9617.5	9904.9	15793	17125	17735	Shr. Equity (\$mill)	20360
Pfd Div'd \$69.4 mill.	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Problem Assets to Lns	Nil
7.4 mill. shs. 7.875% Series A; cumulative;	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Loss Provision (\$mill)	Nil
redeemable. 12.7 mill. shs. 7.625% Series C;	--	--	--	--	--	--	--	--	--	--	Nil	Nil	New Loan Volume (\$mill)	Nil
cumulative; redeemable. 18.4 mill. shs. 7.5% Series D; cumulative, redeemable	--	--	--	--	--	--	--	--	--	--	Nil	Nil		
Common Stock 974,964,290 shs. as of 11/6/12	9.3%	8.8%	8.7%	9.4%	8.6%	9.9%	12.6%	13.9%	11.9%	14.4%	12.0%	11.5%	Shr. Eq. to Total Assets	12.0%
MARKET CAP: \$13.7 billion (Large Cap)	3.3%	4.3%	4.9%	5.0%	3.2%	2.8%	3.3%	4.4%	5.8%	6.0%	7.5%	8.5%	G&A Exp to Gross Inc	6.0%
EARNINGS FACTORS	1.88%	1.39%	1.27%	.46%	.46%	.73%	1.97%	2.20%	1.91%	2.07%	1.45%	1.25%	Return on Total Assets	1.40%
	20.3%	15.7%	14.6%	4.9%	5.3%	7.4%	15.6%	15.9%	16.0%	14.3%	12.0%	10.5%	Return on Shr. Equity	12.0%

EARNINGS FACTORS				9 mos. 9/30/12		BUSINESS: Annaly Capital Management, Inc. is a real estate investment trust that owns and manages a portfolio of mortgage pass-through certificates, collateralized mortgage obligations (CMOs), and other mortgage-related assets. It is the largest mortgage REIT on the NYSE. After hedging, portfolio as of 12/31/11 effectively consisted of 49% fixed-rate securities, 42% floating-rate, and 9% adjustable-rate. Subsidiaries offer diversified real estate, asset management, and other financial services. Has 147 employees. Officers and directors own 1.0% of common stock (4/1 Proxy). Inc.: Maryland. CEO: Wellington Denahan-Norris. Address: 1211 Avenue of the Americas, Suite 2902. New York, NY 10036. Tel.: 212-696-0100. Internet: www.annaly.com .
Margin (%)	2010	2011				
Earning Asset Yield	4.02	3.70		3.14		
Cost of Funds	1.94	1.61		1.51		
Yield-Cost Margin	2.08	2.09		1.63		
Net Changes (\$mill.)	2010	2011		9 mos. 9/30/12		
Total Assets	13651	26603		31947		
Borrowings	11427	18305		16936		
ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17	Annaly Capital recently lost its founder, Michael Farrell, who passed away late in 2012. In the 1990s, Mr. Farrell envisioned an income-generating company that would be protected to an extent by concentrating investments in mortgage		
Mortgage Loans	-5.0%	-4.0%	2.5%			
Earnings	7.5%	11.0%	-4.5%			
Dividends	7.0%	8.0%	-4.0%			
Book Value	1.0%	6.0%	Nil			
				putting pressure on earnings, and will likely continue to do so in 2013. The company plans to soon purchase for cash the shares of a related, commercial real estate operation it does not already own. Annaly is buying 67		

Cal- endar	TOTAL ASSETS (\$mill.)				
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2009	60717	68267	70163	69376	
2010	72719	73508	82585	83027	
2011	98428	100557	113632	109630	
2012	120282	128305	141577	145000	
2013	147000	148000	150000	152000	
Cal- endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2009	.56	.65	.74	.77	2.73
2010	.62	.59	.67	.63	2.51
2011	.67	.70	.65	.52	2.57
2012	.54	.55	.45	.46	2.00
2013	.45	.45	.45	.40	1.75
Cal- endar	QUARTERLY DIVIDENDS PAID ^{B+C}				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	.50	.50	.60	.69	2.29
2010	.75	.65	.68	.68	2.76
2011	.64	.62	.65	.60	2.51
2012	.57	.55	.55	.50	2.17
2013	.45				

and 9% adjustable-rate. Subsidiaries offer diversified real estate, asset management, and other financial services. Has 147 employees. Officers and directors own 1.0% of common stock (4/12 Proxy). Inc.: Maryland. CEO: Wellington Denahan-Norris. Address: 1211 Avenue of the Americas, Suite 2920. New York, NY 10036. Tel.: 212-696-0100. Internet: www.aannv.com.

putting pressure on earnings, and will likely continue to do so in 2013.

The company plans to soon purchase for cash the shares of a related, commercial real estate operation it does not already own. Annaly is buying 67 million shares of CreXus Investment (CXS) for \$12.50, or a slight premium to its preannouncement price. CreXus has fewer than \$1 billion in assets, versus Annaly's \$142 billion, making the deal's significance the diversification into another investment class. The move augurs well for marginally higher returns over time as the line is built up. The drawback is that it will introduce an element of credit risk that had not been in the mix before.

The shares are ranked to underperform (Timeliness: 4) the market in 2013. Earnings and dividends are retreating as the spread between yields on assets and liabilities narrows. There could be more spread compression if enough homeowners prepay their mortgages and refinance at lower rates. Annaly's dividend could fall further in the months, if recent trends continue.

Robert Mitkowski, Jr. January 11, 2013

<p>(A) Based on diluted shares outstanding. Earnings may not sum due to changes in shares outstanding. Excludes nonrecurring per-share gain (losses): '05, (67¢); '06, (29¢); '08, (54¢). Next earnings report due early Feb.</p>	<p>(\$1.49); '09, 79¢; '10, (47¢); '11, (\$2.20); '12 (54¢). Next earnings report due early Feb.</p>	<p>vestment plan available. †Direct stock purchase plan available.</p>	<p>Company's Financial Strength</p>	<p>B</p>
<p>© 2013, Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. The PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.</p>	<p>(B) Dividends usually paid at the end of January, April, July, and October. ■Dividend rein-</p>	<p>(C) Incl. \$52.8 mill. of intangibles at 12/31/11, or 5¢ a share. (D) In millions.</p>	<p>Stock's Price Stability</p>	<p>95</p>
			<p>Price Growth Persistence</p>	<p>35</p>
			<p>Earnings Predictability</p>	<p>35</p>
<p>To subscribe call 1-800-833-0046.</p>				